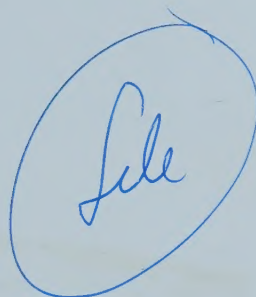


AR52



Canada
Northwest
Land Limited
annual report 1980

Corporate Profile

Canada Northwest Land was established as a land settlement company in 1883 with the purchase of two and a quarter million acres of the Canadian Pacific Railway's Canadian prairies land grant. All of this land was subsequently sold but the sub-surface mineral rights on about 300,000 acres were retained. During the early 1950's, a number of oil discoveries were made on some of this acreage in Saskatchewan, and the royalty income received from these wells provided the foundation for Canada Northwest's development into a natural resource exploration and development company.

In 1966, the Company became directly involved in exploration in Canada by drilling several producing wells in Saskatchewan. Three years later it participated in its first foreign venture in the onshore and offshore areas of Tunisia. During the ensuing years additional offshore permits were granted in the U.K. sector of the North Sea, Spain, Italy and Australia, and the Company participated in, and operated, extensive exploration programs over these permit areas. In September 1975, a significant discovery of crude oil was made on the Casablanca permit offshore Spain.

In 1972, Canada Northwest acquired a stake in the Arctic Islands by purchasing an interest in Panarctic Oils Ltd.

During 1976 and 1977, Canada Northwest Land substantially increased its small initial investment in Rio Alto Exploration Ltd., giving the Company a broad exposure to uranium and base metals exploration activities. Canada Northwest Land now holds 25.7% of the outstanding common shares of Rio Alto.

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The Annual Meeting will be held at 10:30 a.m.,
February 13, 1981, in the Lake Louise Room of
the Calgary Inn, Calgary, Alberta.

Highlights of Activities

		12 Months Ended September 30		
		1980	1979	
Financial				
Gross Revenues.....		\$21,827,000	\$5,609,000	
Income from Operations		\$15,301,000	\$3,069,000	
Net Earnings (excluding non-recurring items).....		\$ 8,680,000	\$1,265,000	
Working Capital (deficiency)		\$14,069,000	(\$1,491,000)	
Net Production (after Royalties)				
Oil (in barrels) Canada & U.S.		39,802	38,508	
Spain		449,605	—	
Gas (in Mcf.) Canada & U.S.		2,922,789	3,246,258	
Reserves (Proven and Probable)				
Oil (in barrels)		12,195,000	12,311,000	
Gas (in Mcf.).....		32,969,000	41,683,000	
Drilling (Gross Wells)				
Oil.....		21	15	
Gas.....		18	4	
Dry		16	7	
		55	26	
Land Holdings (in acres)				
	1980		1979	
	Gross	Net	Gross	Net
Canada	1,162,575	472,994	1,088,432	355,682
Foreign:				
U.S.A.	149,085	61,882	107,789	51,476
Spain	325,178	25,619	355,078	35,366
Italy.....	259,274	66,509	111,970	55,985
Australia.....	22,188,437	9,964,538	5,726,000	1,733,000
TOTAL	24,084,549	10,591,542	7,389,269	2,231,509

Letter to Shareholders

During the year the Company experienced a dramatic growth in earnings and cash flow. This was directly attributable to the resumption of production in December 1979, through an early production system from the Casablanca oil field offshore Spain. In 1980, earnings from operations before extraordinary items were \$8,680,000 or \$1.36 per share compared with \$1,265,000 or \$0.20 per share for the same period last year.

The completion and commissioning of a 12" pipeline from the Casablanca Field to an onshore receiving terminal at Tarragona will result in an estimated 10% increase in production throughput and a reduction of approximately 30% in operating costs.

The improvement in the Company's revenue base has substantially enhanced its ability to raise the funds required to finance ongoing capital programs. The cost of developing the Casablanca Field has been funded by bank lines of credit totalling U.S. \$60 million, of which only U.S. \$24 million has been drawn down. The balance of the capital required to complete development should be met out of cash flow from the Casablanca 1-A and 6 early production system.

The oil and gas industry in Canada has received a severe setback as a direct result of the Federal Government's National Energy Program announced in October 1980. The new program proposes to increase government revenue, ownership and participation at the expense of the private sector and will undoubtedly have an adverse effect on the industry's efforts to achieve energy self-sufficiency. The Company's long-term policy of geographical and geological diversification, which led to its success in Spain, has minimized the effect of this energy program on the Company's earnings. The new 8% Petroleum and Gas Revenue Tax placed on Canadian oil and gas production will result in a 20% decrease in our cash flow from Canadian production. This, coupled with the uncertainty over the effect of the Natural Gas Excise Tax on remaining cash flow, will dictate caution in future investments in land acquisition and new drilling ventures until such time as an improved energy investment climate prevails in Canada. Meanwhile, it would appear opportune for the Company to direct a greater portion of its resources and activities to foreign areas.

The stable and attractive investment climate existing in the United States, appreciably enhanced by deregulation of oil prices and the existence of ready markets for natural gas, has prompted us to increase efforts to improve the Company's exposure to oil and gas exploration in that country. In September 1980, an office was opened in Midland, Texas, and, in conjunction with operations conducted through our existing office in Billings, Montana, a greater portion of the Company's cash flow will be directed to acquiring acreage and participating in exploration plays in the United States. The Company's oil and gas exploration activities in the U.S. are currently centred in Kansas, Oklahoma, Montana and North Dakota.

In Australia, the Company's subsidiary, Canada Northwest Australia Oil N.L., is actively engaged in exploration and the acquisition of exploratory acreage. Land holdings approximate 9.9 million net acres and seismic operations are being conducted over existing permits while other potential exploration areas are being evaluated. Several areas of interest have been identified and drilling activity is planned for the near future. In December 1979, 36% of the shares of the Australian subsidiary company were sold to the public and the shares listed on Australian stock exchanges. Proceeds from the sale will be directed to oil and gas exploration on permits currently held, as well as in other areas in Australia.

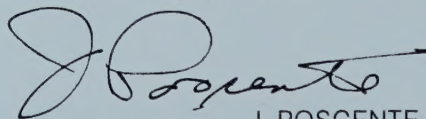
In 1980, the Company has significantly stepped up its oil and gas exploration activities in the offshore areas of Italy. The Company's wholly-owned subsidiary, Canada Northwest Italiana S.p.A., has added to its existing land holdings by forming groups to apply for permits in offshore areas where considerable industry activity has developed. This is in keeping with Company policy of identifying prospective areas, acquiring permits and instigating exploration to locate and mature drillable structures.

During the year, the Company's Board of Directors accepted the resignation of Mr. H. G. Gammell who, since 1968, has served as a Director and President and Chief Executive Officer. The Company wishes to express sincere gratitude to Mr. Gammell for his valued contribution to its many successes through the years.

Mr. E. A. Jonas is entering into retirement and does not intend to stand for re-election to the Board of Directors. Mr. Jonas has served as a Director of the Company since 1972 and his advice and guidance is gratefully acknowledged.

In recognition of the rapid change in growth of the Company, several personnel assignments and staff additions have been made. Mr. R. J. Kirker, the Company's Vice President of Exploration, has been transferred to Perth, Australia, to direct the activity of our Australian subsidiary company, and Lord Shaughnessy, Vice President, has been transferred to London, England, to oversee the Company's foreign financial and corporate affairs. A number of other senior management changes in the Company's head office have provided the additional expertise needed to compete in the industry both nationally and internationally.

The success of the Company is attributable to the loyalty and assistance of its employees and it is to them that the Board of Directors wishes to extend its sincere gratitude for the achievements attained throughout 1980.


J. POSCENTE
President and Chief Executive Officer

2nd January, 1981



CASABLANCA EARLY PRODUCTION SYSTEM

Prior to completion of the pipeline, production was pumped from the Afortunada through a floating hose to the 225,000-bbl tanker, Bilbao, anchored with a spread mooring system close by the Afortunada. Approximately 3.75 million barrels of crude were transported to Tarragona by tanker. Completion of the pipeline in October 1980 resulted in a 10% improvement in production efficiency, as well as a significant reduction in operating expenses associated with the tanker operation.

Foreign Activities

SPAIN

Casablanca Field Development

Production was resumed from the Casablanca Field in December 1979 with the completion of the directionally drilled Casablanca #6 well. The well, Casablanca 1-A, which had been shut in since the early production period, July 1977 through June 1978, was returned to production in February 1980. Following a period of experimentation to determine the optimum flow rates, the two wells, 1-A and 6, stabilized at approximately 5,200 and 13,300 BOPD respectively.

The Afortunada, a semi-submersible drilling vessel owned by the Casablanca Group, was equipped with production facilities and is being utilized as an interim production platform until construction of the permanent field facilities is completed. Initially, production was transferred from the Afortunada to a moored tanker and then transported to the Enpetrol refinery at Tarragona. During the summer of 1980, a 12" pipeline was installed by Saipem's Castoro II lay barge from the Afortunada to the shore facilities at Tarragona. The pipeline was placed in operation in early October eliminating the need for the tanker and the consequent down-time during tanker turnaround. Enpetrol is providing 600,000 bbls of storage capacity to receive Casablanca pipeline oil.



The Afortunada on location with the Casa 1-A well on production in a drill stem test mode and the Casa 6 well producing through a Coflexip (flexible flowline) riser to the production facilities located on the aft deck of the Afortunada (left of the derrick).

Cumulative production from the two wells for the period December 1979 through November 1980 was 4.6 million barrels. The price received for crude deliveries has increased, in stages, from the initial price of U.S. \$18.61 per barrel to the current price of U.S. \$28.43.

The year 1980 has seen significant progress in the construction of the permanent production facilities approved by the Spanish authorities in early 1979. Permanent field facilities will consist of a steel jacket which will be pile-fastened to the ocean floor to support the production, drilling and ancillary components. The jacketed platform will be located in approximately 530 feet of water on the northwest edge of the Casablanca Field and connected to the Tarragona pipeline. Flow and control lines will be laid to the existing Casablanca wells, 1-A and 6, now both equipped with remote controlled subsea wellheads. Further development drilling will be achieved through directionally drilled wells from the platform. Although only three additional wells are anticipated at this time, the drilling platform will accommodate up to nine wells.

The steel jacket, under construction at Cadiz, is approximately 55% complete. Completion and barge loading of the 8,000-ton structure is scheduled for June 1981. Following tow-out to the Casablanca Field, the jacket will be launched and uprighted by controlled flooding of the legs, and positioned by tugs. The jacket will then be fastened to the ocean floor with eight main and four skirt piles driven up to 300 feet into the ocean floor. By late July 1981, the jacket should be in place and ready to receive the top-side deck and equipment modules.



In October 1980, the 12" pipeline from the Afortunada to storage facilities at Tarragona was placed in service. This line was installed by the Castoro II lay barge shown above operating in 394 ft. of water, approximately 15 miles offshore.



<div><div></div><div>CNW Permits</div></div>	<div><div></div><div>Casablanca Unit</div></div>																
<div><div>☒ Fixed Platform</div><div>● Oil Well</div><div>✧ Gas Well</div><div>✧ Abandoned Well</div><div>○ Location Well</div><div>● Oil Fields</div></div>	<div><div>PERMIT INTERESTS</div><table><tr><td>Casablanca</td><td>15%</td><td>Peniscola</td><td>15%</td></tr><tr><td>Alfaques</td><td>15%</td><td>Montanazo 'C'</td><td>5%</td></tr><tr><td>San Carlos</td><td>15%</td><td>Montanazo 'D'</td><td>5%</td></tr><tr><td>Alcanar</td><td>15%</td><td>Delta 'D'</td><td>4.44%</td></tr></table></div>	Casablanca	15%	Peniscola	15%	Alfaques	15%	Montanazo 'C'	5%	San Carlos	15%	Montanazo 'D'	5%	Alcanar	15%	Delta 'D'	4.44%
Casablanca	15%	Peniscola	15%														
Alfaques	15%	Montanazo 'C'	5%														
San Carlos	15%	Montanazo 'D'	5%														
Alcanar	15%	Delta 'D'	4.44%														
<div>Casablanca Unit 12.4% Interest</div>																	

SPAIN

TARRAGONA

SALOU

CASABLANCA

MONTANAZO 'C'

MONTANAZO 'D'

ALFAQUES

DELTA 'D'

SAN CARLOS

ALCANAR

PENISCOLA

GULF OF VALENCIA



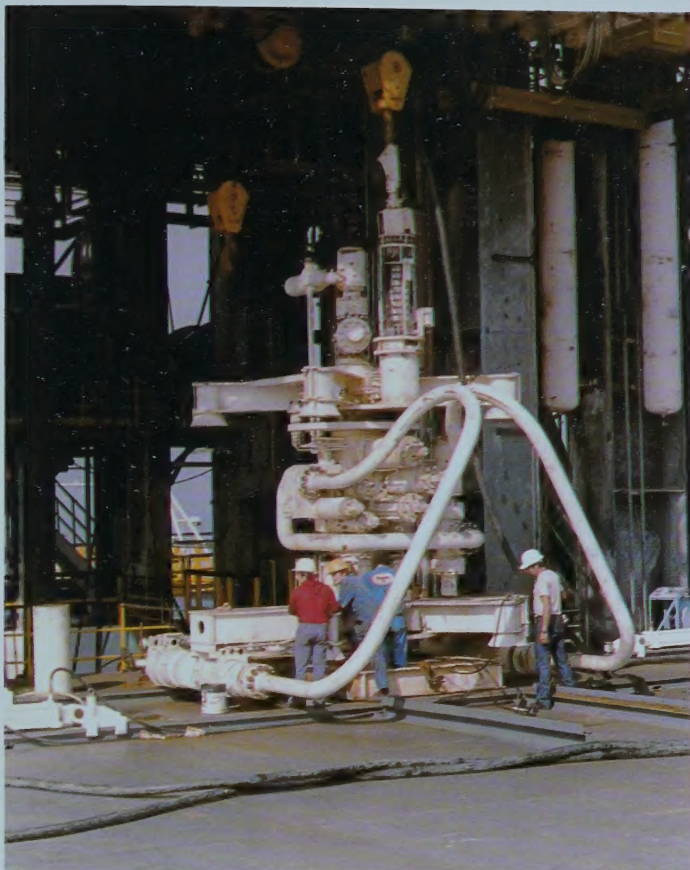
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The platform jacket is being fabricated at Cadiz in Southern Spain. The jacket, as pictured above, is approximately 50% complete with four of the eight legs in their "rolled-up" position. Upon completion, the jacket will be skidded directly onto a barge for tow-out to location. Noting the comparative size of the workers in the picture gives some perspective to the size of the 8,000-ton structure.



The main deck sections are being assembled in the Tarragona dock area. Under construction, above, is the central of the three main deck components. The large vertical column on the left of the structure will be used to support the main platform crane.



The subsea tree for the Casa 1-A well is shown above on the Afortunada deck just prior to installation in November of 1980. An identical tree has operated most satisfactorily on the Casa 6 well since its completion in the fall of 1979.

The major deck sections are being fabricated at Tarragona and will be assembled in the Tarragona dockyards for load-out, sea fastening and tow-out. Construction of the drilling rig was commenced in November 1980 in the United States. These facilities, together with the major ancillary components which include the accommodation module/helideck and power control module, now under construction in Spanish yards, are scheduled for completion prior to the end of July 1981. Commissioning of the permanent facilities should be completed in sufficient time to allow commencement of development drilling by early November 1981, with transfer of production operations from the Afortunada by the end of January 1982. Drilling of the currently scheduled three additional wells should be completed by September 1982 bringing the Casablanca Field to the full production rate of 40,000 BOPD.

During the past year, construction of the facilities has proceeded on schedule and costs maintained well within the budget. Total estimated cost of construction of the permanent field facilities is U.S. \$340 million, of which U.S. \$87 million has been spent to September 30, 1980.

Unitization of the Casablanca-Montanazo interests was effected in July 1980. The Company's unitized interest is 12.447% subject to possible redetermination upon completion of the development drilling program.

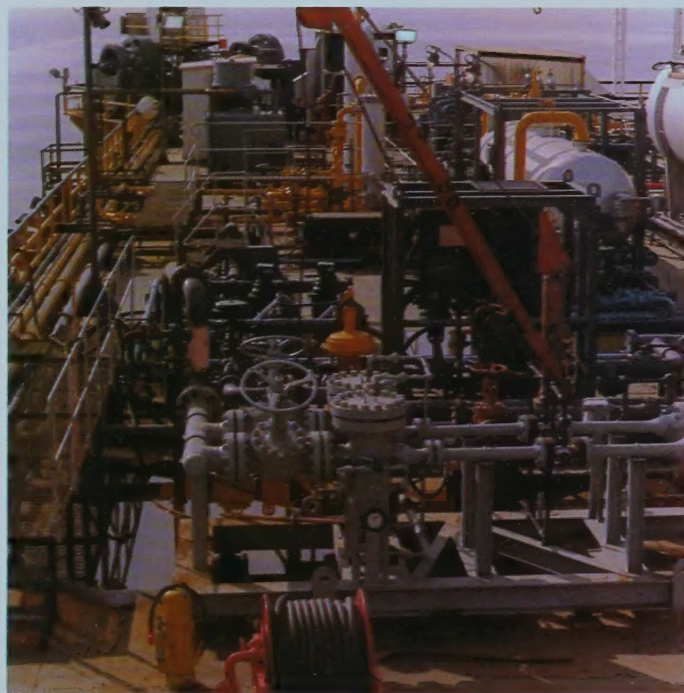
Montanazo Permits

The operator of the Montanazo permits has recently initiated a feasibility study for the development of reserves discovered by the Montanazo C-1 and D-2 wells. Estimated reserves in these two wells total 15 to 20 million barrels in which the Company has a 3.5% carried interest.

In January 1981, drilling of a well is to commence on a large structure identified by seismic on the Montanazo D Permit. The estimated total cost of this well, in which the Company has a 5% working interest, is U.S. \$7 million.

Delta D Permit

A farmout arrangement has been concluded whereby a well will be drilled on the Delta D Permit during the first half of 1981. The Company's current 11.1% interest in the permit will be reduced to 4.44% as a result of the farmout. The well will be drilled to test a structure defined by seismic on the southwest portion of the permit.



Production facilities to temporarily process production from Casa 1-A and 6 wells during construction of permanent facilities have been installed on the aft deck of the Afortunada. In the foreground is the metering and sampling skid used prior to pumping crude down the pipeline to shore storage facilities.

ITALY

Exploration

The Company's wholly-owned subsidiary, Canada Northwest Italiana S.p.A., with offices located in Rome, is expanding its oil and gas exploration activities in the offshore areas of Italy.

The Company has a 20% carried interest in the well, Vega No. 1, which is currently being drilled on Permit C.R76.SE 14 miles south of the Mila oil discovery in the Sicily Channel. Vega No. 1 is located in 413 feet of water and has a projected total depth of 15,750 feet.

A group in which Canada Northwest Italiana S.p.A. has a 22.2% working interest was awarded a 148,000-acre permit, D.R56.CL., located in the southern Adriatic Sea. Seismic evaluation of the permit has begun. In addition to operating the 50%-owned 37,910-acre Permit C.R86.CN., located in the Sicily Channel, the Company has organized bidding groups to apply for four permits in the



The Glomar Grand Banks drill ship commenced drilling the Vega No. 1 well in August 1980. The location is in 413 ft. of water and has a projected total depth of 15,750 ft.



northern Adriatic Sea totalling 92,490 acres, a 185,150-acre permit offshore the coast of Puglia, and a 95,232-acre permit offshore Sicily in the Sicily Channel. Canada Northwest Italiana S.p.A.'s interests in these applications vary from 30% to 100%.

Favourable hydrocarbon laws and recent drilling successes in Italy are attracting a growing number of exploration companies. There are currently five offshore and 16 onshore drilling units operating in Italy.

Scanzano Salt Project

Work is continuing on the numerous applications required to produce the high-grade salt (NaCl) deposits contained in the Company's 100%-owned lands at Scanzano in Southern Italy. An agreement, in principle, has been reached with a major Italian salt processing and marketing company to purchase the entire output of salt from the property, estimated at 200,000 tons per year.

During the year, a joint venture agreement was entered into with another Canadian company whereby it will have the right to earn a 50% working interest in the proposed underground LPG Storage Project at Scanzano. This project involves the utilization of the underground caverns created during the salt extraction process for the storage of Liquefied Petroleum Gas. A comprehensive feasibility study by Purvin & Gertz, Inc., confirmed the viability of such a project and the resulting benefits to Italy and other Mediterranean countries in providing large volume LPG storage and trans-shipment facilities. Applications for permits to proceed with the Storage Project are now being prepared for submittal to various government bodies in Italy.

The new joint venture partner will not share in the salt production project.



AUSTRALIA

The Company participates in Australian oil and gas exploration through its 64%-owned subsidiary, Canada Northwest Australia Oil N.L., which is a public company trading on the three major Australian stock exchanges.

During the year, two exploration permits, NT-P30 and NT-P31, in the Gulf of Carpentaria, comprising 16.4 million gross acres, were awarded jointly to Canada Northwest Australia Oil N.L. and an Australian company. Canada Northwest Australia Oil N.L. owns a 50% interest in the permits. The permits cover a large portion of one of the least explored basins in Australia over which only a small amount of seismic was conducted in the late 1960's and on which drilling activity has been limited to a few onshore wells on the edge of the basin. An onshore diamond drillhole recently drilled south of the permits produced a quantity of natural gas, indicating that the unmetamorphosed Proterozoic sediments, suspected to underlie the shallow Cretaceous/Jurassic sequence offshore, may also contain hydrocarbons.

A structural-stratigraphic trap has been identified by improved seismic methods on the 400,000-acre Permit WA 110-P in which Canada Northwest Australia Oil N.L. holds a 32% interest. This prospective trap occurs at a fairly shallow drilling depth. However, the water depth where drilling activity will take place is approximately 1,000 feet. The Company has engaged consultants to

evaluate various engineering and development techniques which might be employed to economically develop potential reserves.

Late in the year, Canada Northwest Australia Oil N.L., together with other working interest owners in the 4.5-million-acre Permit WA 102-P, located in the Exmouth Basin, entered into an agreement with a group of companies wishing to participate in the further exploration of the block. Under this arrangement, Canada Northwest Australia Oil N.L.'s share of the cost of drilling a well on the Tantabiddi structure will be reduced from 32% to 16% with a consequent reduction in its working interest in the permit to 24%. Canada Northwest Australia Oil N.L.'s share of the estimated cost of drilling this well is approximately \$1.7 million.

During the year, a great deal of effort has been made to obtain the use of one of the three dynamically positioned drill ships working in Western Australia, to drill the Tantabiddi well. Demand for these vessels is extremely high and it is uncertain when drilling will commence.

Canada Northwest Australia Oil N.L., as operator, has conducted seismic exploration programs over existing permits at a cost of approximately \$2.7 million, and continues to study other prospective onshore and offshore areas for which permit applications might be filed.

North American Activities

CANADA

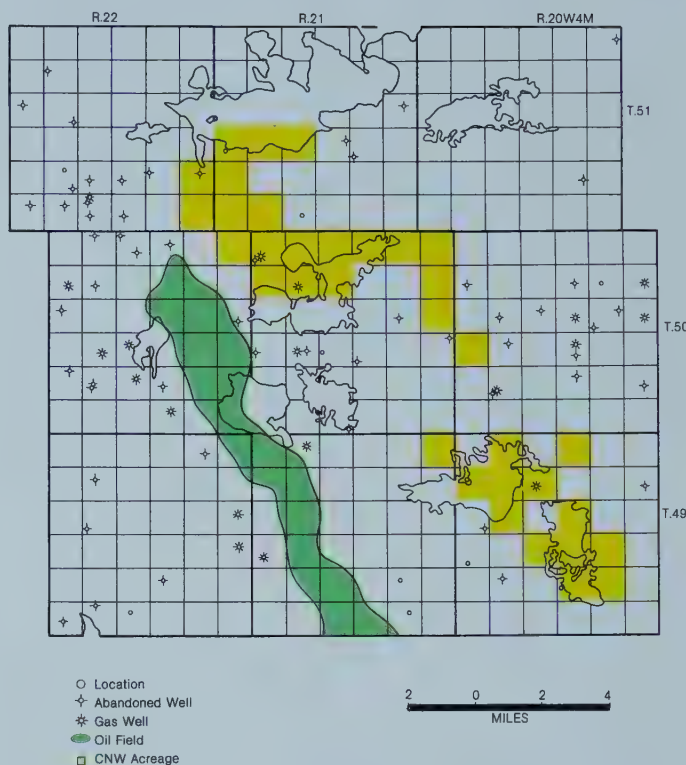
During 1980, the Company continued to actively explore its Canadian holdings and to increase its land position in Alberta and British Columbia. Thirty-four wells were drilled on the Company's lands in Canada during the year and, of the 18 wells in which the Company participated, 13 were completed as gas wells, two as oil wells and three were dry and abandoned. Sixteen wells drilled by other companies under farmout arrangements resulted in six gas wells, two oil wells and eight wells which were dry and abandoned. The Company acquired a total of 45,800 gross acres (13,550 net acres) at Crown sales in Alberta and British Columbia during the year.

Drilling activity by the industry during the past year has been particularly intense in southwestern Alberta where oil discoveries have been made in Mississippian and Devonian formations as well as in overlying Cretaceous beds. One of these discoveries is located one-half mile west of a 3,200-acre block of the Company's 100% fee land near the City of Lethbridge, Alberta. At Little Bow, Alberta, approximately 40 miles to the north of Lethbridge, the Company participated in a successful gas well offsetting a previous oil and gas discovery. The Company's interest in this project is 25%. Two wells are planned at Turin, Alberta, where the Company has interests varying from 33⅓% to 100% in 14,240 acres. At Comrey, Alberta, six miles north of the U.S. border, the Company was a 50% participant in a successful offset to a producing Jurassic Sawtooth gas well. Completion and tie-in to gathering facilities will be carried out during 1981.

At Lanaway, Alberta, where the Company has a 100% interest in a 400-acre lease, an 8,000-foot well will be drilled in 1981 under a farmout agreement, to evaluate several Cretaceous and Mississippian objectives. Additional wells have been drilled in the Company's Tweedie, Westlock and Turin gas fields in Alberta in order to maintain deliverability under the Company's gas sale contracts.

In the Joarcam area of central Alberta, the Company has an interest in 21,760 acres of petroleum and natural gas licences. The Company has participated in five successful gas wells on these lands and several new locations have been announced by other companies on offsetting land. Land holdings were increased in the House Mountain, Swan Hills, Sturgeon Lake, Doig and Chinchaga areas of Alberta. In British Columbia, the Company acquired interests in lease blocks in the Beaverdam and Drake areas.

Joarcam Area



Lougheed Island

Two gas discoveries made by Panarctic Oils Ltd. during 1979 and 1980 are of particular significance to the Company due to their proximity to the Company's Lougheed Island permits. The Panarctic AIEG Whitefish H-63 and Panarctic AIEG Whitefish G-63 wells were drilled approximately six miles west of these permits. The permits contain 230,290 acres and are 33.75% owned by the Company. The G-63 well (later renamed H-63A) was a follow-up to the H-63 discovery and flowed gas at rates up to 44 MMcf/d with absolute open flow potential calculated at 144.5 MMcf/d from the King Christian sandstones. Two additional formations are also gas-bearing and have tested gas at rates of 14.5 MMcf/d and 7.5 MMcf/d.

The Company's Lougheed Island permits will be partially evaluated by the Panarctic AIEG Phillips Cisco B-66 well located three miles north of the Company's permits. The well is scheduled to drill to a maximum of 10,500 feet and evaluate the Cretaceous and Jurassic objectives which were gas-bearing at the Whitefish H-63A gas discovery.

Beaufort Sea

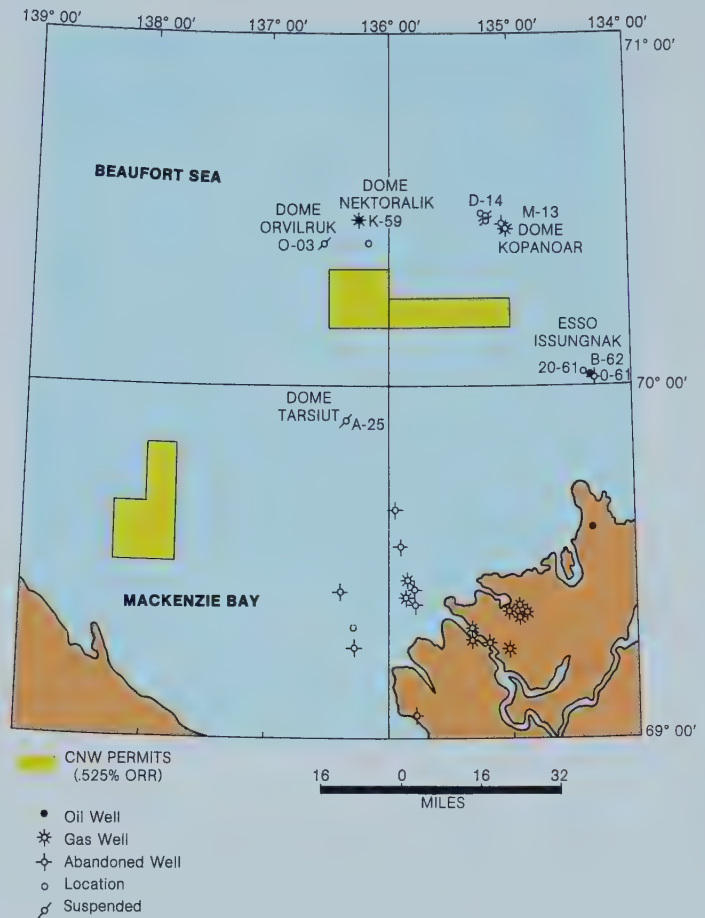
The Company has a 0.525% royalty interest in six permits in the Beaufort Sea area of Northern Canada. Three of the northernmost permits form a block 10 to 15 miles south of the Nektoralik and Kopanoar oil and gas discoveries. These fields have not been fully delineated, but a reserve estimate of two billion barrels for Kopanoar was reported by the operator. The Nektoralik K-59 well was drilled to 9,154 feet and encountered three significant productive zones in Tertiary sediments. High pressures prevented the well from testing deeper objectives. Three miles to the north of the block, the Orvilruk O-03 well has been suspended at 11,800 feet pending deepening operations. At the Tarsiut A-25 well, approximately 18 miles to the south of the block, production casing was run to 4,415 feet and production was obtained from a reported 160 feet of pay. Due to the shallow water depth (76 feet), an artificial island is being built around the Tarsiut well from which additional wells will be drilled. The Esso Issungnak B-62 well, 20 miles to the southeast of the block, was completed as a dual-zone oil discovery and an offsetting well, Issungnak 20-61 is now drilling.

Notwithstanding the Company's small royalty interest in the Beaufort Sea area, the potential of very large oil and gas accumulations may be of considerable importance to the Company in the future.

Lougheed Island



Beaufort Sea

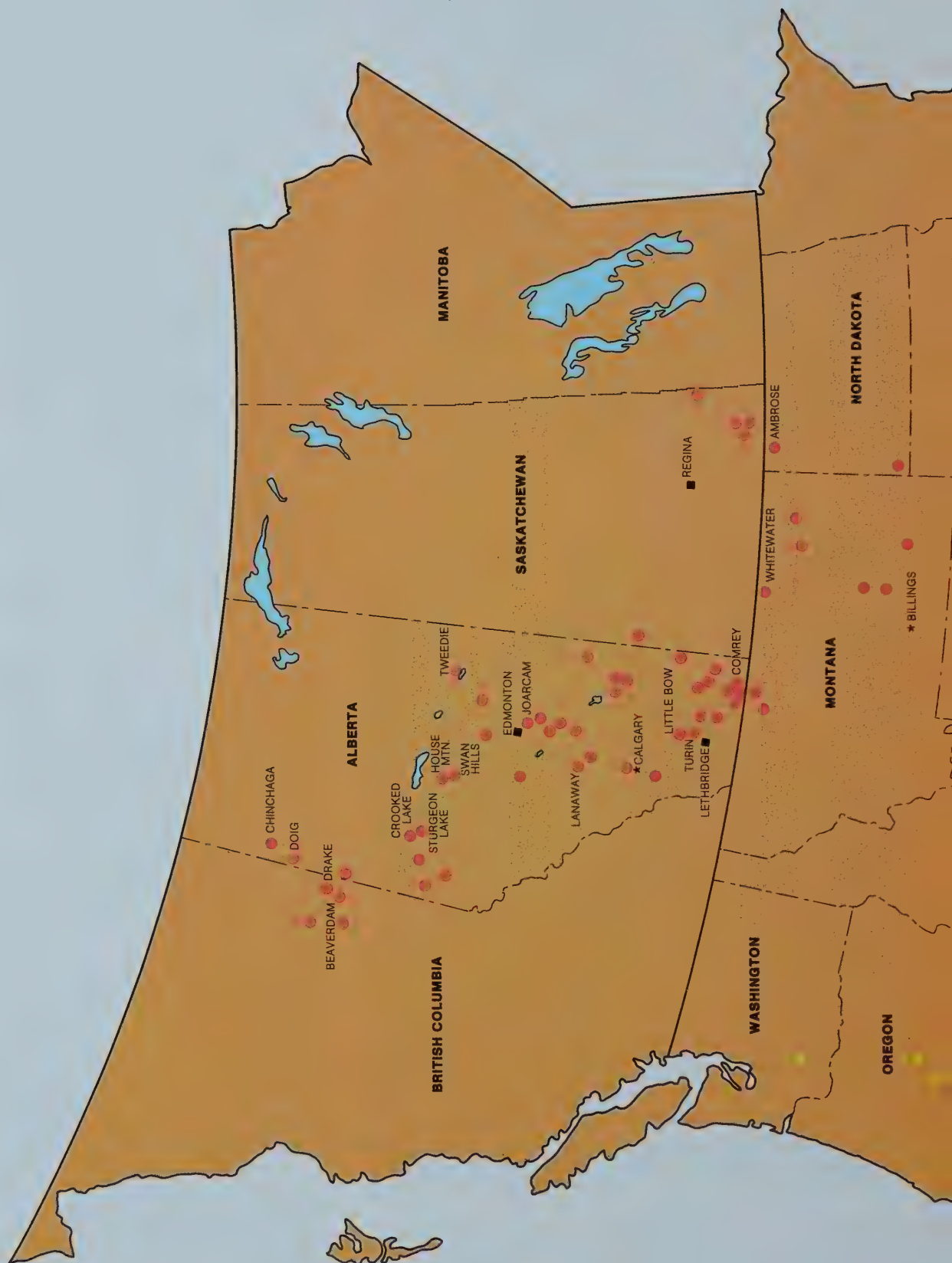


Investment in Panarctic Oils Ltd.

The Company owns a 3.3% interest in Panarctic Oils Ltd., an industry/government consortium in which the Government of Canada owns a 45% interest and 29 other companies own the remainder. Panarctic explores for oil and natural gas in the Canadian Arctic and, to date, has discovered natural gas reserves of 16 trillion cubic feet. The management of Panarctic believes that, based on successes in early 1980, together with planned exploration for 1981, proven and probable natural gas reserves in the Arctic Islands could be as high as 25 trillion cubic feet by the end of 1981.

Two separate projects have been initiated to transport Arctic gas to market. The first of them, the Arctic Pilot Project, plans to use specially designed tankers to transport gas to southern markets. This gas would be liquefied at a barge-mounted plant on Melville Island. Deliveries of gas are planned to commence in the mid-1980's at the rate of 225 million cubic feet per day. The second project, the Polar Gas Project, involves construction of a pipeline system that will transport gas from the high Arctic and the Mackenzie Delta to the main consuming areas of Canada and the United States. The date for commencement of construction of this pipeline is still uncertain.

NORTH AMERICAN ACTIVITIES





UNITED STATES

The Company is increasing its activities in the United States where it will devote a significantly larger portion of its efforts and budget to exploration and land acquisition. These expanded operations will be conducted through the Company's wholly-owned subsidiary, Canada Northwest Oils Inc., from its offices in Billings, Montana, and the recently-opened office in Midland, Texas.

In Montana, the Company acquired an additional interest in the shallow gas area at Whitewater increasing its participation by 50%. The Whitewater Field is the northern extension of the Bowdoin Gas Field. In the Ambrose area of North Dakota, the Company farmed out a one-section lease for a well which was drilled to 11,300 feet in the Ordovician Winnipeg sand formation. Although the well was abandoned, several shows of oil and gas were encountered in Devonian and Ordovician formations. Interest in this area still remains high as indicated at State land sales where adjoining leases sold for prices ranging from U.S. \$280 to U.S. \$620 per acre.

At Longton, Kansas, the Company is participating in a shallow oil well drilling program over 1,580 acres. Fifteen wells had been drilled by year end, bringing to 20 the number of wells capable of oil production. These wells are in varying stages of completion and will be subjected to production testing for a reasonable period prior to commencement of a second phase of drilling. The Company's interest in this program upon its completion will be 10%. In Roger Mills County, Oklahoma, the Company is currently participating in a 12,500-foot well to evaluate the Pennsylvanian Red Fork formation. This zone in the immediate area is a prolific gas reservoir with net pay thicknesses of up to 100 feet.



Geothermal Exploration

The Company is a 25.7% participant with a group of companies actively exploring for geothermal energy. The group has lease applications pending with the U.S. Federal Government on approximately 260,000 acres in Oregon, California, Washington and Idaho and leases have been issued on 47,400 acres at Glass Butte, Oregon, and 8,600 acres at Powell Butte, Oregon.

Under a 1980 farmout agreement, four shallow temperature observation wells were drilled on the Company's Glass Butte property. Data from this drilling program, together with temperature data from previous drilling, is currently being evaluated.

Geothermal is an important and profitable source of energy, and during the past six years the Company has gained valuable exposure through its participation in this program.

Geothermal Prospects



Reserves

	Oil (MSTB)				Gas (MMcf)			
	Net Proven		Net Probable		Net Proven		Net Probable	
	1980	1979	1980	1979	1980	1979	1980	1979
Canada & U.S.	391	433	151	309	30,751	35,695	2,218	5,988
Spain	10,953	11,569	700	0	—	—	—	—
Total	11,344	12,002	851	309	30,751	35,695	2,218	5,988

NOTES: (1) The reserves estimates are based on consultant reports prepared at year end. Reductions from the previous year are a result of production during the year and re-evaluation of reserves in some areas.

(2) Montanazo C-1 and D-2 wells' reserves placed in "probable" category until feasibility study concluded.

Financial

The Company experienced a record year in 1980 with revenues of \$21,827,000, representing a 289% increase over 1979. Production from the Casablanca Field in Spain generated \$13,615,000. Although North American gas production declined by 10%, the revenues increased to \$6,957,000 from \$5,594,000 in 1979, mainly due to higher gas export prices. Interest of \$615,000 was earned from funds on deposit in Australia.

Cash expenses increased to \$6,526,000 from \$2,540,000 in 1979. Casablanca operating costs were \$1,750,000. Interest expenses were \$1,775,000 more than last year due to net additional borrowings of \$11,000,000 and substantially higher interest rates prevailing during the year. Virtually all of the interest expense relates to the Casablanca project.

The resulting cash flow from operations was \$15,301,000 or \$2.40 per share compared with \$3,069,000 or \$0.49 per share last year.

Provision has been made for current income taxes in Spain and in Australia. The increase in deferred taxes relates principally to Spain.

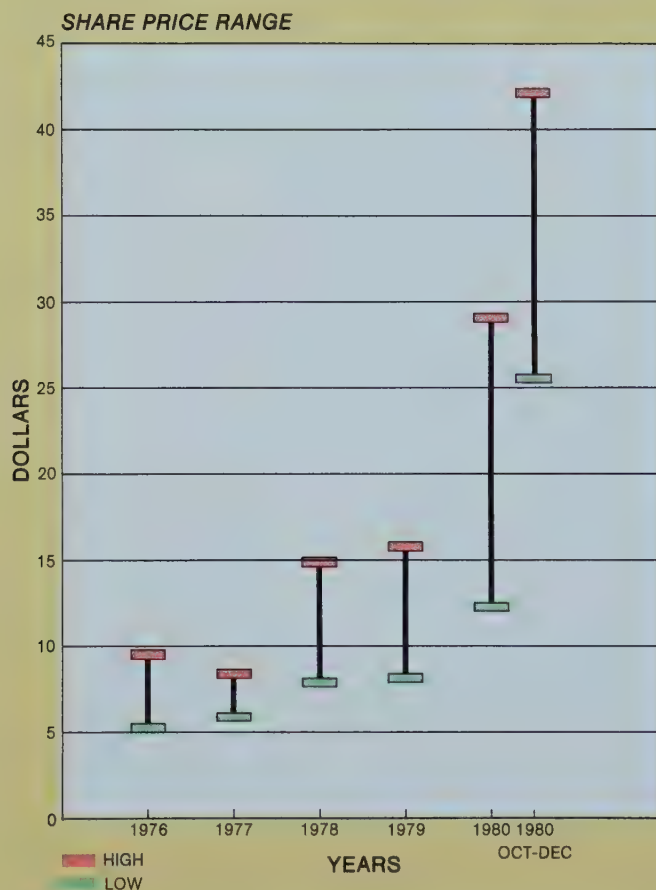
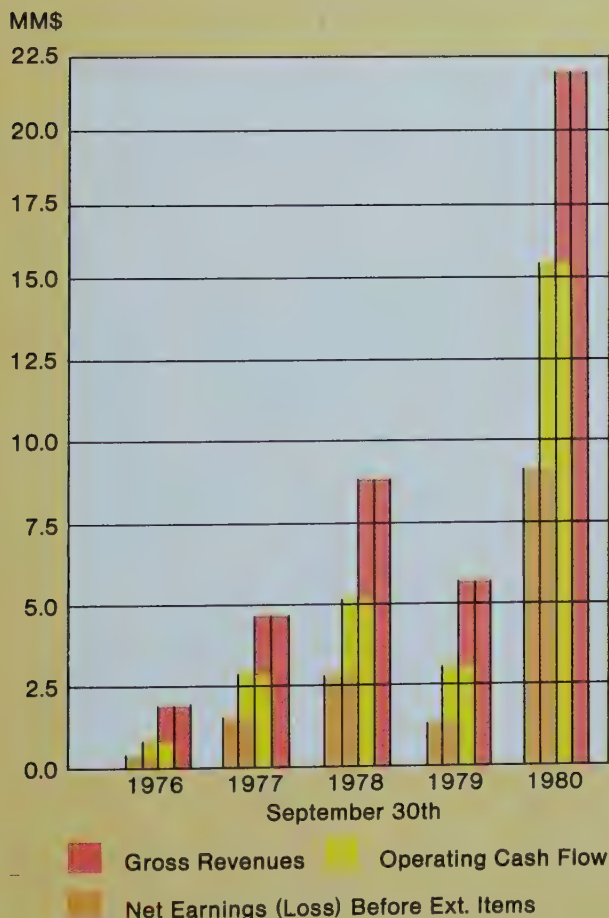
Earnings before extraordinary items were \$8,680,000 or \$1.36 per share compared with \$1,265,000 or \$0.20 per share in 1979.

The Company has written down its investment in Panarctic Oils Ltd. from \$15,584,000 to \$9,429,000. A book gain of \$5,195,000 was recorded on the sale of the shares of the Australian subsidiary, but does not represent funds available for distribution to the parent company under normal conditions. Both the write-down of the Company's investment in Panarctic Oils Ltd. and the gain on the sale of shares of the Australian subsidiary have been treated as extraordinary items, resulting in net earnings after extraordinary items for the year of \$8,296,000 or \$1.30 per share compared with \$3,918,000 or \$0.62 per share for 1979.

Capital expenditures in total were \$20,000,000 of which \$12,500,000 relates to the Casablanca project. This expenditure includes capitalized interest. Capital expenditures forecast for the completion of the Casablanca project are \$37,000,000 of which \$16,500,000 is expected to be incurred in 1981.

Cash flow from Spain is projected to be higher in 1981 than in 1980 due to increased throughput and higher oil prices. It is anticipated that the cash flow will be sufficient to cover capital requirements, as well as debt service costs. No further borrowings are anticipated for the Casablanca project.

The Company has lines of credit of U.S. \$41,000,000 available, placing it in a strong position for the financing of ongoing capital programs and for future growth.




Auditors' Report

To the Shareholders of
Canada Northwest Land Limited

We have examined the consolidated balance sheet of Canada Northwest Land Limited as at September 30, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads "Clarkson Gordon". The signature is written in a cursive, flowing style.

Calgary, Canada
December 1, 1980

Chartered Accountants

Consolidated Statement of Retained Earnings

For The Year Ended September 30, 1980

(with comparative figures for the year ended September 30, 1979)

	1980	1979
Balance at beginning of year	\$ 8,368,000	\$4,450,000
Net earnings for the year	8,296,000	3,918,000
Balance at end of year	<u>\$16,664,000</u>	<u>\$8,368,000</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Statement of Earnings

For The Year Ended September 30, 1980

(with comparative figures for the year ended September 30, 1979)

	1980	1979
Revenue:		
Oil and gas sales	\$20,287,000	\$5,225,000
Royalties and other income	1,540,000	384,000
	<u>21,827,000</u>	<u>5,609,000</u>
Expenses:		
Operating	2,762,000	1,038,000
General and administrative	1,326,000	839,000
Interest on long term debt (Note 1)	2,438,000	663,000
	<u>6,526,000</u>	<u>2,540,000</u>
Earnings from operations before the following:	15,301,000	3,069,000
Depletion and depreciation	2,495,000	1,140,000
Amortization of financing costs	165,000	—
Minority interest	266,000	—
	<u>12,375,000</u>	<u>1,929,000</u>
Earnings before income taxes and extraordinary items	12,375,000	1,929,000
Income Taxes:		
Current	512,000	—
Deferred	3,666,000	1,048,000
Provincial government royalty tax credits	(483,000)	(384,000)
	<u>8,680,000</u>	<u>1,265,000</u>
Earnings before extraordinary items	8,680,000	1,265,000
Extraordinary items (Note 3)	(384,000)	2,653,000
	<u>\$ 8,296,000</u>	<u>\$3,918,000</u>
Net earnings	\$ 8,296,000	\$3,918,000
Earnings per share based on average number of shares outstanding		
Earnings before extraordinary items	\$1.36	\$.20
Net earnings	\$1.30	\$.62

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

September 30, 1980

(with comparative figures at September 30, 1979)

Assets

	1980	1979
Current:		
Cash and short term deposits	\$18,962,000	\$ 602,000
Accounts receivable	3,066,000	1,044,000
Provincial government royalty tax credits recoverable	767,000	964,000
Prepaid expenses	104,000	149,000
	<u>22,899,000</u>	<u>2,759,000</u>
Property and Equipment at Cost:		
Oil and gas properties less accumulated depletion of \$4,760,000 (1979 — \$3,238,000)	31,355,000	23,440,000
Platform, production and other equipment less accumulated depreciation of \$2,601,000 (1979 — \$1,630,000)	29,426,000	20,153,000
Mineral properties	1,020,000	888,000
	<u>61,801,000</u>	<u>44,481,000</u>
Investments:		
Panarctic Oils Ltd.	9,429,000	15,584,000
Rio Alto Exploration Ltd. (market value — \$3,278,000; 1979 — \$1,995,000)	698,000	698,000
Other	24,000	24,000
	<u>10,151,000</u>	<u>16,306,000</u>
Other:		
Long term receivables and deposits (Note 2)	647,000	157,000
Unamortized financing costs	1,036,000	—
	<u>1,683,000</u>	<u>157,000</u>
	<u>\$96,534,000</u>	<u>\$63,703,000</u>

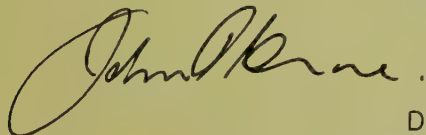
Liabilities and Shareholders' Equity

	1980	1979
Current:		
Accounts payable and accrued charges	\$ 8,253,000	\$ 4,221,000
Long term debt due within one year	69,000	29,000
Income taxes payable by subsidiaries	508,000	—
	<u>8,830,000</u>	<u>4,250,000</u>
Deferred Natural Gas Revenue	<u>522,000</u>	<u>197,000</u>
Long Term Debt (Note 1)	<u>28,848,000</u>	<u>17,835,000</u>
Deferred Income Taxes	<u>7,782,000</u>	<u>4,692,000</u>
Minority Interest	<u>3,408,000</u>	<u>—</u>
Shareholders' Equity:		
Capital (Note 2)	30,480,000	28,361,000
Retained earnings	16,664,000	8,368,000
	<u>47,144,000</u>	<u>36,729,000</u>
Commitment (Note 5)		
	<u>\$96,534,000</u>	<u>\$63,703,000</u>

On behalf of the Board:



Director



Director

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

For The Year Ended September 30, 1980

(with comparative figures for the year ended September 30, 1979)

	1980	1979
Sources of working capital:		
Operations		
Earnings before extraordinary items	\$ 8,680,000	\$ 1,265,000
Add non-cash charges		
Depreciation, depletion and amortization	2,660,000	1,140,000
Deferred income taxes	3,666,000	1,048,000
Minority interest	266,000	—
	15,272,000	3,453,000
Proceeds		
Sale of shares of subsidiary company	8,337,000	—
Sale of North Sea properties	—	3,467,000
Sale of oil and gas properties	184,000	18,000
Issue of long term debt	32,342,000	6,517,000
Issue of common shares	2,119,000	245,000
Decrease in long term receivables and deposits	—	284,000
Deferred natural gas revenue	325,000	197,000
	58,579,000	14,181,000
Applications of working capital:		
Expenditures		
Drilling and exploration	6,681,000	5,387,000
Acquisition costs and rentals	2,933,000	1,050,000
Platform, production and other equipment	10,254,000	5,230,000
Mineral properties	131,000	660,000
Repayment of long term debt	21,329,000	3,825,000
Financing costs	1,201,000	—
Increase in long term receivables and deposits	490,000	—
Purchase of shares of Rio Alto Exploration Ltd.	—	230,000
	43,019,000	16,382,000
Working capital:		
Increase (decrease) in working capital	15,560,000	(2,201,000)
Working capital (deficiency) beginning of year	(1,491,000)	710,000
Working capital (deficiency) end of year	<u>\$14,069,000</u>	<u>\$(1,491,000)</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

Summary of Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its active subsidiaries as follows:

Subsidiary	Jurisdiction of Incorporation	Percentage Ownership
Canada Northwest Oils (Europe) B.V.	Holland	100%
CNWL Oils (España) S.A.	Spain	100%
Canada Northwest Italiana S.p.A.	Italy	100%
Canada Northwest Australia Oil N.L.	Australia	64%
CNW Oil (Australia) Pty. Ltd.	Australia	64%
Canada Northwest Oils Inc.	United States	100%
Dart Petroleum Ltd.	Canada	100%

Investments

The Company holds a 3.3% interest in Panarctic Oils Ltd., which is carried at cost less amounts written down and a 25.7% interest in Rio Alto Exploration Ltd., which is carried at cost.

Financing costs

Financing costs are being amortized on a straight line basis over five years.

Property and equipment

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling productive and non-productive wells, and interest and overhead expenses related to exploration and development activities. Capitalized expenditures are accumulated in cost centres as follows: North America, Spain, Italy and Australia.

All costs of exploration and development relating to a salt project in Italy have been deferred. Expenditures incurred in Australia and Italy are being deferred pending the results of exploration in progress. These costs will be depleted on the basis of reserves discovered or written off to income if exploration activities prove unsuccessful.

Depletion is provided on costs accumulated in North America and Spain in the proportion that the year's production bears to estimated proven reserves of oil and gas (the composite unit of production method).

Production equipment costs are depreciated on the composite unit of production method while other equipment is depreciated on the declining balance method at rates varying between 20% to 30%.

Foreign currency translation

Accounts of foreign subsidiaries have been translated to Canadian dollars using current rates of exchange for current assets and current liabilities, historical rates of exchange for non-current assets and non-current liabilities and average rates for the year for revenue and expenses, except depreciation, depletion and amortization which are translated at the rates of exchange applicable to the related assets. The resulting exchange gain of \$178,000 (1979 — loss of \$20,000) has been included in "royalties and other income" in the accompanying statement of earnings.

Notes to Consolidated Financial Statements

September 30, 1980

1. Long term debt

	1980	1979
Bank loans:		
(i) with interest at the London Inter-Bank Offer Rate plus 1¼% per annum (U.S. \$15,430,000)	\$17,285,000	
(ii) with interest at the London Inter-Bank Offer Rate plus 1¼% per annum (U.S.\$10,000,000)	11,417,000	
(iii) with interest at 1¼% per annum in excess of the Canadian prime bank interest rate	—	\$ 9,661,000
(iv) with interest at 1¼% per annum in excess of the U.S. prevailing prime bank interest rate (U.S. \$7,635,000)	—	8,117,000
Other	215,000	86,000
	28,917,000	17,864,000
Less amounts due within one year	69,000	29,000
	<u>\$28,848,000</u>	<u>\$17,835,000</u>

The Dutch subsidiary of the Company established the following lines of credit during the year:

- (i) U.S. \$50,000,000, specifically for the development of the Casablanca Field, Spain. Repayment is to be made in seven equal semi-annual installments commencing the earlier of:
 - (a) January 31, 1984 or,
 - (b) when production from Casablanca Field has averaged 30,000 bbls per day for a period of 30 consecutive days.

The shares of the Spanish subsidiary have been pledged as security. Under the terms of the loan agreement, the Dutch subsidiary cannot pay dividends until repayment of the loan has commenced. Thereafter, dividends may be paid as long as cash flow, after deduction of proposed dividends, equals 175% of the aggregate loan outstanding.

- (ii) U.S. \$10,000,000 repayable March 8, 1982. This loan is secured by certain oil and gas properties in Canada.

The above loans were partially used to repay the outstanding loans in Canada.

If the U.S. dollar loans had been translated at the rates of exchange prevailing at September 30, 1980, the equivalent Canadian dollar amount payable would have been increased by \$1,076,000 (1979 — \$742,000).

Interest of \$2,404,000 (1979 — \$1,601,000) relating to the bank loans incurred in respect of development in Spain has been capitalized and included in oil and gas properties.

2. Capital

The Company's authorized capital consists of an unlimited number of preferred shares and an unlimited number of common shares both without nominal or par value. Details of changes in the Company's common shares during the year are as follows:

	Shares	Amount
Balance, beginning of year	6,305,337	\$28,361,000
Issued pursuant to the Treasury Share Purchase Agreement (see (i) below)	30,000	473,000
Issued pursuant to the Employee Share Purchase Plan (see (ii) below)	16,338	266,000
Issued as consideration for the purchase of net profits interests in certain oil properties (see (iii) below)	80,000	1,380,000
	<u>6,431,675</u>	<u>\$30,480,000</u>

- (i) Under the terms of the Treasury Share Purchase Agreement, the Company has advanced funds to a Trustee for the purchase, on behalf of a director, who is also a senior officer, of 30,000 common shares. The indebtedness of \$473,000 is evidenced by a non-interest bearing note repayable at \$13,000 per annum with the balance due January 31, 1985. The shares will be held by the Trustee pending full payment of the debt.
- (ii) Under the terms of the Employee Share Purchase Plan, the Company has agreed to advance funds to a Trustee for the purchase and immediate resale to employees of common shares at prices based on the average sale price of the shares as determined on the date of the transaction. In addition, the Company has agreed to contribute a minimum of fifty percent of the cost of the shares purchased under the plan. Of the \$266,000 paid for shares purchased during 1980, \$149,000 was contributed by the Company.
- At September 30, 1980, \$30,000 was receivable by the Company with respect to this plan.
- (iii) During the year, the Company purchased from a director and senior officer, and a senior officer, net profits interests in certain oil properties, in exchange for 40,000 shares each, valued at \$17.25 per share. The evaluation of the interest was based on a report of independent consultants.
- (iv) 5,000 common shares have been reserved for an option granted to an employee exercisable at \$14.18 per share and expiring on December 31, 1985.

3. Extraordinary items

Extraordinary items are as follows:

	1980	1979
(i) Gain on sale of common shares of Australian subsidiary (see below)	\$ 5,195,000	—
(ii) Write-down of investment in Panarctic Oils Ltd., net of deferred income taxes of \$576,000.	(5,579,000)	—
(iii) Gain on sale of North Sea Properties net of deferred income taxes of \$815,000	—	\$2,653,000
Net extraordinary gain (loss)	\$ (384,000)	<u>\$2,653,000</u>

During the year, the Australian subsidiary, Canada Northwest Australia Oil N.L., issued to the public 24,000,000 common shares at 25¢ per share, (Australian) and a similar number of options at 1¢ per option. In addition, the company owns approximately 42,000,000 such options. Each option allows the holder to purchase one share at 25¢ per share until September 30, 1984. At September 30, 1980, the minority interest represented 35.56% of the total equity of the subsidiary. The funds were raised principally to assist the subsidiary in fulfilling work commitments on three exploratory permits in Western Australia.

The extraordinary item of \$5,195,000 represents the excess to the Company of its share of the proceeds of the issue over the net book value of the subsidiary at the time of the issue.

4. Business segments

The following is an analysis of certain consolidated information by geographic areas:

	North America	Europe	Australia	Consolidated
1980:				
Revenues	<u>\$ 6,957,000</u>	<u>\$13,729,000</u>	<u>\$ 1,141,000</u>	<u>\$21,827,000</u>
Net earnings before extraordinary items	<u>\$ 1,447,000</u>	<u>\$ 6,752,000</u>	<u>\$ 481,000</u>	<u>\$ 8,680,000</u>
Identifiable assets	<u>\$36,480,000</u>	<u>\$48,775,000</u>	<u>\$11,279,000</u>	<u>\$96,534,000</u>
1979:				
Revenues	<u>\$ 5,594,000</u>	<u>\$ 15,000</u>	<u>—</u>	<u>\$ 5,609,000</u>
Net earnings before extraordinary items	<u>\$ 1,382,000</u>	<u>\$ (117,000)</u>	<u>—</u>	<u>\$ 1,265,000</u>
Identifiable assets	<u>\$36,856,000</u>	<u>\$26,448,000</u>	<u>\$ 399,000</u>	<u>\$63,703,000</u>

5. Commitment

The operator has contracted for the construction of a bottom supported production and drilling platform in the Casablanca field, Spain. The Company's share of the total estimated completion costs is \$23,000,000 of which \$4,000,000 has been incurred to September 30, 1980.

Five Year Financial and Operating Summary

(dollar amounts in thousands except per share amounts)

	Years Ended September 30				
	1980	1979	1978	1977	1976
Earnings:					
Gross revenues.....	\$21,827	\$ 5,609	\$ 8,813	\$ 4,620	\$ 2,162
Earnings from operations.....	15,301	3,069	5,108	2,711	777
Per share.....	2.40	.49	.81	.43	.14
Net earnings before extraordinary items	8,680	1,265	2,704	1,447	377
Per share.....	1.36	.20	.43	.23	.07
Net earnings after extraordinary items.....	8,296	3,918	2,704	1,447	377
Per share.....	1.30	.62	.43	.23	.07
Source & Application of Funds:					
Cash flow.....	\$15,272	\$ 3,453	\$ 5,680	\$ 3,106	\$ 914
Sale of assets.....	184	3,485	60	1,202	2,036
New debt, equity & other.....	43,123	7,243	6,634	8,268	13,247
	58,579	14,181	12,374	12,576	16,197
Growth expenditures.....	19,999	12,327	12,091	10,713	7,301
Debt retirement.....	21,329	3,825	29	52	8,653
Investments & other.....	1,691	230	249	121	203
	43,019	16,382	12,369	10,886	16,157
Increase (decrease) in working capital.....	\$15,560	\$ (2,201)	\$ 5	\$ 1,690	\$ 40
Balance Sheet:					
Working capital (deficiency).....	\$14,069	\$ (1,491)	\$ 710	\$ 705	\$ (985)
Investments.....	10,151	16,306	16,076	15,827	15,706
Property, equipment and other.....	63,484	44,638	33,752	23,231	14,625
Long term debt.....	28,848	17,835	15,143	8,929	961
Deferred revenue.....	522	197	—	—	—
Deferred income taxes.....	7,782	4,692	2,830	1,204	329
Shareholders' equity and minority interest.....	50,552	36,729	32,565	29,630	28,056
Number of shares outstanding (,000)....	6,432	6,305	6,281	6,254	6,235
Operations:					
Drilling (Gross Wells)					
Gas.....	21	15	15	55	40
Oil.....	18	4	2	5	5
Dry.....	16	7	10	14	13
Reserves (Net)					
Oil (000 barrels).....	12,195	12,311	17,903	866	1,075
Gas (MMcf).....	32,969	41,683	46,651	45,600	78,720
Land Holdings (,000 net acres)					
Canada.....	473	356	443	438	418
Foreign.....	10,119	1,876	1,687	226	153

Canada Northwest Land Limited

Directors:

S. L. Christensen
New York City, U.S.A.

J. P. Crone
Calgary, Alberta

N. E. Goodman
Toronto, Ontario

D. W. Hilland
Calgary, Alberta

E. A. Jonas
New York City, U.S.A.

J. Poscente
Calgary, Alberta

M. S. Reford
Aylmer East, P. Quebec

G. G. Ross
Toronto, Ontario

R. T. Ruggles
Toronto, Ontario

Lord Shaughnessy
London, England

Officers:

J. Poscente
President

B. J. Todesco
Executive Vice President

M. J. Khan
Vice President Finance and Secretary

Lord Shaughnessy
Vice President

R. J. Kirker
Vice President Exploration

J. K. Scrimger
Treasurer

Principal Bankers:

The Royal Bank of Canada

Transfer Agents:

The Canada Trust Company

Auditors:

Clarkson Gordon

Stock Listings:

The Toronto Stock Exchange

Subsidiaries:

Canada Northwest Oils Inc.
Canada Northwest Oils (Europe) B.V.
CNWL Oil (España) S.A.
Canada Northwest Italiana S.p.A.

Affiliates:

Canada Northwest Australia Oil N.L.
CNW Oil (Australia) Pty. Ltd.

Head Office:

820 Three Calgary Place
355 - 4th Avenue S.W.
Calgary, Alberta T2P 0J1

Subsidiary and District Offices:

Perth, Australia
Madrid, Spain
Rome, Italy
Billings, Montana
Midland, Texas

Metric conversion

Canada is in the process of converting units of measure from the traditional system to a metric base, known as the International System of Units (SI). Pending more widely-based public acceptance and understanding of SI units, however, operating results are in traditional units throughout this report. The following table will assist in the translation to SI units.

Conversion factor

1 mile	=	1.609 kilometres
1 foot	=	0.305 metres
1 cubic foot	=	0.028 cubic metres (natural gas)
1 barrel	=	0.159 cubic metres (petroleum liquids)
1 acre	=	0.405 hectares

